

CLASSIFICATION **CONFIDENTIAL**
 CENTRAL INTELLIGENCE AGENCY
 INFORMATION FROM
 FOREIGN DOCUMENTS OR RADIO BROADCASTS

L-115

50X1-HUM

REPORT

CD NO.

COUNTRY China
 SUBJECT Economic - Commerce, business registration
 HOW PUBLISHED Daily newspaper
 WHERE PUBLISHED Shanghai
 DATE PUBLISHED 11 Mar 1950
 LANGUAGE Chinese

DATE OF INFORMATION 1950

DATE DIST. 1 Aug 1950

NO. OF PAGES 5

SUPPLEMENT TO REPORT NO.

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF ESPIONAGE ACT 50 U. S. C. 31 AND 32, AS AMENDED. ITS TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

SOURCE Hsin-wen Jih-pao.

PROVISIONAL REGULATIONS FOR BUSINESS REGISTRATION IN SHANGHAI

To clarify the status of business organizations in Shanghai, to further the interests of legitimate business, and to expand democratic economy, the following regulations are issued:

1. All firms, whether owned publicly, privately or jointly located and operated in Shanghai shall comply with these regulations and shall apply to the government of Shanghai for permission to register. No firm shall operate without the certificate of registration.
2. Enterprises shall be classified as follows for registration purposes:
 - a. Those employing hired labor and power machinery for purposes of production shall be classified as an industry and shall apply for the industrial registration certificate.
 - b. Those employing hand labor only shall apply for registration as a handicraft industry.
 - c. Those engaging in the purchase and sale of merchandise or engaging in other forms of trade shall apply for registration as a mercantile firm.
 - d. Those engaging in both manufacturing and merchandising shall apply for registration as an industrial and mercantile business. All enterprises requiring special permits to conduct such enterprise shall secure such permits before applying for registration.
3. Permits shall be applied for 20 days before business is to be opened. All firms which have been registered with the KMT authorities or which have begun business before the effective date of these regulations shall be regarded as new enterprises.
4. The following shall represent an enterprise in applying for registration:
 - a. For public and joint public and private enterprises -- responsible management officer
 - b. For individually owned enterprises -- owner

- 1 -

CLASSIFICATION		CONFIDENTIAL		CONFIDENTIAL	
STATE		DISTRIBUTION			
<input checked="" type="checkbox"/>	NAVY	<input checked="" type="checkbox"/>	NSRB		
<input checked="" type="checkbox"/>	AIR	<input checked="" type="checkbox"/>	FBI		

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

c. For partnerships -- managing partner

d. For stock companies -- board of directors or managing stockholder

In case the applicant for registration employs an agent, the agent shall be furnished with satisfactory documentary evidence of his competency.

5. Applications for registration shall contain the following information:

a. Name of firm

b. Type of business

c. Scope of business

d. Nature of business (public, private, or joint)

e. Type of organization (sole proprietorship, partnership, corporation)

f. Address

g. Divisions (or name and location of main factory or store)

h. Date of opening

i. Present or planned membership in business associations (state type)

j. Type of capital

k. Area of grounds, buildings, and equipment

l. Present or planned personnel (number)

m. Present or planned affiliation with unions (workers)

n. Name, native place, present address, of person providing capital and the amount of such capital

o. Name, occupation, age, birthplace, and experience (number of years) of the manager

p. Guarantor (name of one factory or shop)

Except for publicity operated enterprises, enterprises in operation before the promulgation of these regulations may be recommended by their business guild.

q. Name of the applicant

The person furnishing the capital shall use his real name; no aliases or family or clan names shall be used. In case the capital is furnished by a society, the society must be recognized by the government.

6. The following documents shall accompany all applications:

a. Investigation chart [sic]

b. Articles of partnership or corporation prospectus

c. Business plans

- 2 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

d. Evidence that capital is paid up

This may be a bank statement, report of investigator, or a written statement by the person providing the capital; but those whose central factory or place of business and all branches are in Shanghai, and there is no division of capital, need not report for the branches. Those making changes in their capital under the provisions of Article 10 of these regulations should present evidence of capital responsibilities before and after reorganization, statement of financial assets, articles of reorganization, and evidence of agreement of all parties concerned.

e. Those requiring authorization from their main office shall present evidence of such authorization. Those having evidence of registration or operation permits from the KMT authorities shall present it.

7. Firms located outside of Shanghai but desiring to set up branches in Shanghai shall comply with these regulations in seeking registration and present authorization for such action from their head office.

Shanghai firms setting up branches in other places shall submit evidence of their registration in Shanghai at the place where their branch is to be established.

Firms with head office and all branches in Shanghai shall present their application for all of them at the same time. When the registration has been granted, certificates will be issued to each branch separately.

The names of branch firms shall indicate their relationship as branches of the main office. When a branch is opened and there is already a registered enterprise of the same or similar name, the branch shall carry in its name an indication of the location of the parent company.

8. Business firms registering in Shanghai shall not use the same or similar name of other firms in the same line of business, otherwise the other firm may consider it an infringement upon its interests and seek an injunction against the use of such name. A business which can present evidence that it was using its name before another firm registered for use of that name is not bound by this regulation. In case two firms with the same name apply for registration, the one applying first shall be recognized. In case of simultaneous application, the Bureau of Industry and Commerce shall endeavor to settle the matter by mutual negotiation. In case no agreement can be reached, the Bureau shall decide which firm shall use the name.

9. Foreign firms applying for registration under these regulations shall do so through the Foreign Affairs Office. Businesses which require official permission for their operation shall also negotiate with the necessary authorities through the above office.

At least one person who has provided the capital in firms in the above category shall maintain a residence in Shanghai.

Such firms opening branches in Shanghai shall engage a resident of Shanghai as manager.

10. Firms established before 27 May 1949 shall effect a re-evaluation of their capital assets or add fresh capital to them. The standard for such re-evaluation should be the value on 31 August 1949. Liabilities should be reckoned according to contractual obligations as of 31 August 1949. If the 31 August balance showed a surplus it shall be, at the close of the fiscal year, reckoned with the gains or losses of the period 1 September to 31 December 1949, according to custom or established policy. However any capital assets that have appreciated in value may not be regarded as surplus to be converted into cash or goods.

- 3 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

Revaluation of capital assets and recapitalization shall be done according to law. In partnerships all partners shall be in agreement and in corporations the actions shall be approved by all the stockholders.

11. All firms existing before the promulgation of these regulations, which have been financed by any bureaucrat or war criminal shall report it and not seek to hide the fact.

12. Any firm which does not open for business within two months of receiving the registration certificate shall apply for a revocation of the registration and the registration certificate, unless it has previously applied for an extension of time.

13. Firms which open for business prior to the receipt of a registration certificate shall be closed or otherwise dealt with according to the gravity of their offense. Firms, operating before the promulgation of these regulations, which fail to apply for the registration within the prescribed time shall be considered as operating without a registration. The period for registration shall be announced separately by the Bureau of Industry of Commerce.

14. No firm shall engage in auxiliary business connected with its primary business beyond which it has been registered. In case a registration is made under false pretenses, or a firm operates business outside the purview of its registration or, a firm lends its registration certificate to some other firm or altering it, it shall be dealt with according to the gravity of the offense in the circumstances.

15. No firm shall take any opportunistic or other actions which will be prejudicial to the market or the economy. Any firm found guilty of such acts shall be strictly dealt with by law and its registration shall be revoked.

16. Prior approval shall be obtained when any firm desires to change its registered status by merger or sale. Within 15 days after acquiring its new status it shall apply for a new registration, supplying the necessary documents and turning in its old registration certificate. Any change in the area used for the business, its buildings, equipment, number, of employees, residence of the registrant, the one who supplied the capital, or the one in charge of the business shall not require a new application for registration, but the change shall be reported for the record. Any firm making a retrenchment requiring cessation of work, reduction of work, or reduction in force shall notify the Bureau for the record.

17. If, after a firm has been registered, there appears an error or an omission in the information, the firm shall request a correction.

18. Any firm desiring to cease operations shall present the reasons therefor with supporting documents and ask for consideration. Not until approval has been given shall the firm ask for a cancellation of the registration. No firm may discontinue business on its own initiative.

19. If a firm desires to take an inventory, it shall first present its reasons with the supporting documents in a petition to the Bureau of Industry and Commerce for consideration. After receiving permission it may take the inventory. Within three days after finishing the inventory, the firm shall report to the Bureau on the results of the inventory. In case the result of the inventory indicates a need to discontinue business or to secure a change in the registration, the firm shall petition accordingly.

20. In case a business is closed by executive or court order, the executive agency or court giving such an order shall notify the Bureau. The Bureau shall cancel the registration and nullify the certificate of registration.

- 4 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

21. In case of loss or theft of the registration certificate, the registrant shall advertise the facts in a newspaper for three days. After a week he may present copies of the newspaper with his application for the issue of a new certificate. Any one objecting to the issuance of a new certificate may present his case to the Bureau with supporting evidence for action within one week after the appearance of the advertisement.

22. The responsibility of a guarantor under Item 7 and the method of withdrawing a guarantee shall be as follows:

The guarantor certifies that the firm which he has guaranteed will operate a legitimate business in a law abiding manner, and that the information in the petition for registration is true and correct.

In case the guarantor wishes to withdraw his commitment he must not do so until the one guaranteed has been able to make other arrangements.

23. The registration fees shall be as follows: sole proprietor 50,000 yuan JMP and partnership or corporation 150,000 yuan JMP. This fee shall be payable with the application for registration. The fee for renewal of a lost certificate of registration shall be 50,000 yuan JMP. The fee may be subject to change.

24. Street stalls, itinerant merchants and handicraft merchants with no fixed place of work shall not be included in these regulations.

25. Until the industrial and commercial law becomes effective, original registrations and organization plans shall be used temporarily, but those who resist these regulations shall not be given this privilege.

26. These regulations shall become effective from the date of promulgation by the city government of Shanghai.

- E N D -

- 5 -

CONFIDENTIAL

CONFIDENTIAL